

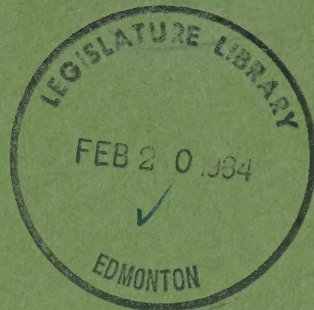
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To Convey an Understanding of the Scope
and Impact of the Syncrude Tar San 1



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SYNCRUDE PRESENTATION

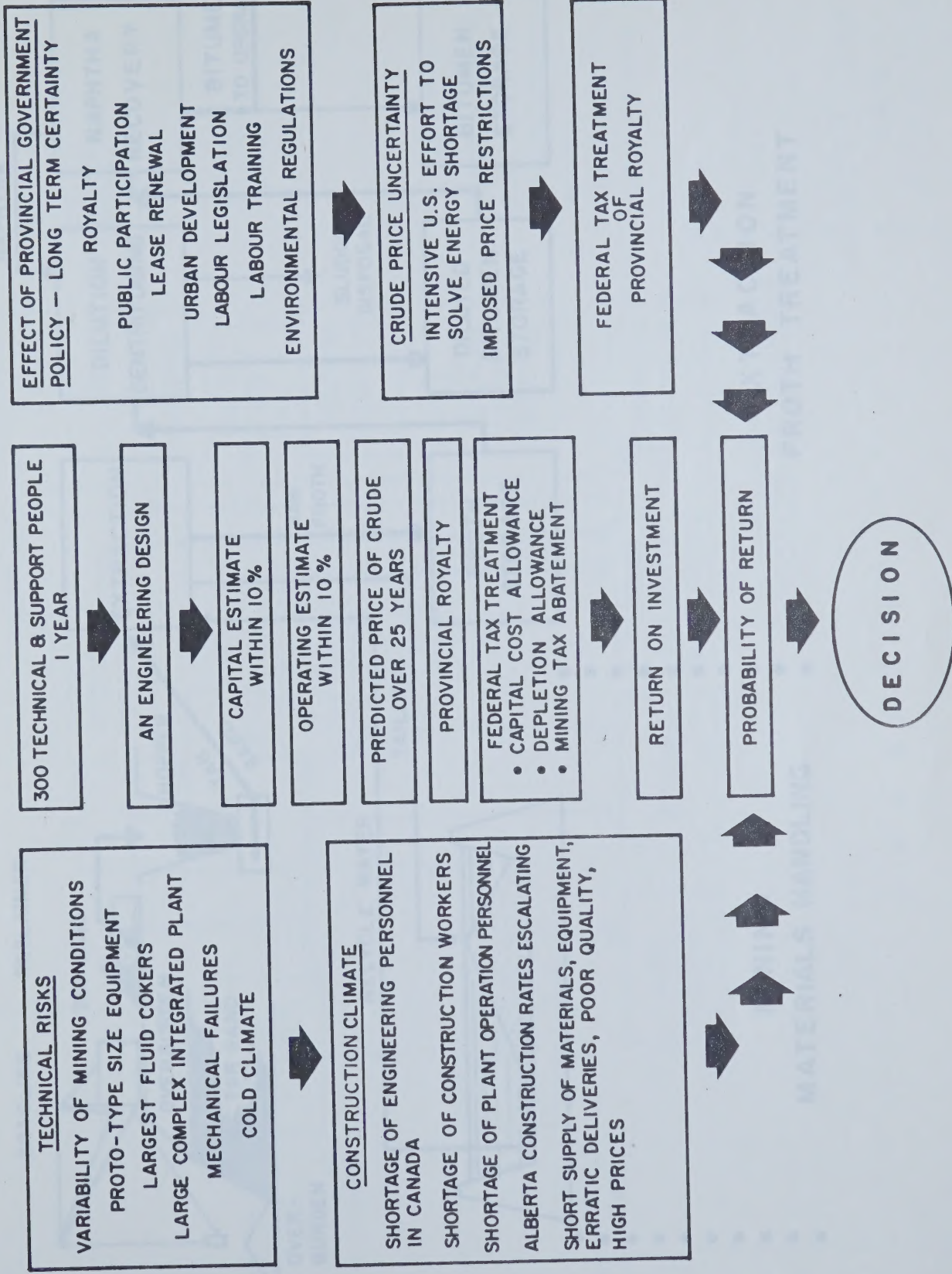
PURPOSE:

TO CONVEY AN UNDERSTANDING OF THE SCOPE AND IMPACT
OF THE SYNCRUDE TAR SAND PROJECT.

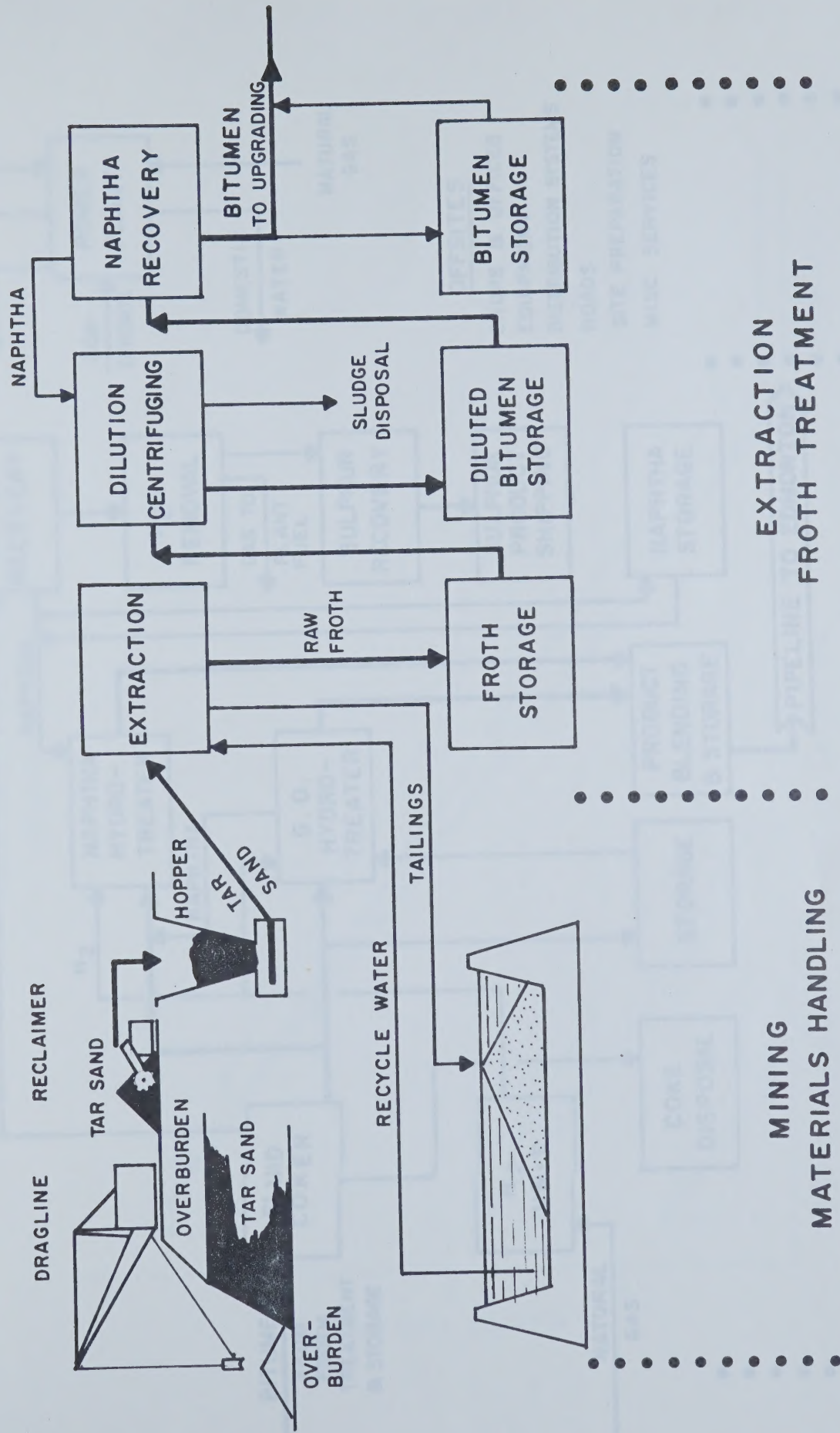
- AN OVERVIEW
- A BRIEF DESCRIPTION OF THE PROJECT
- THE BENEFITS OF THE PROJECT TO CANADA
- THE ECONOMIC RISKS
- THE PREDICTED RETURN ON INVESTMENT
- CONCLUSIONS

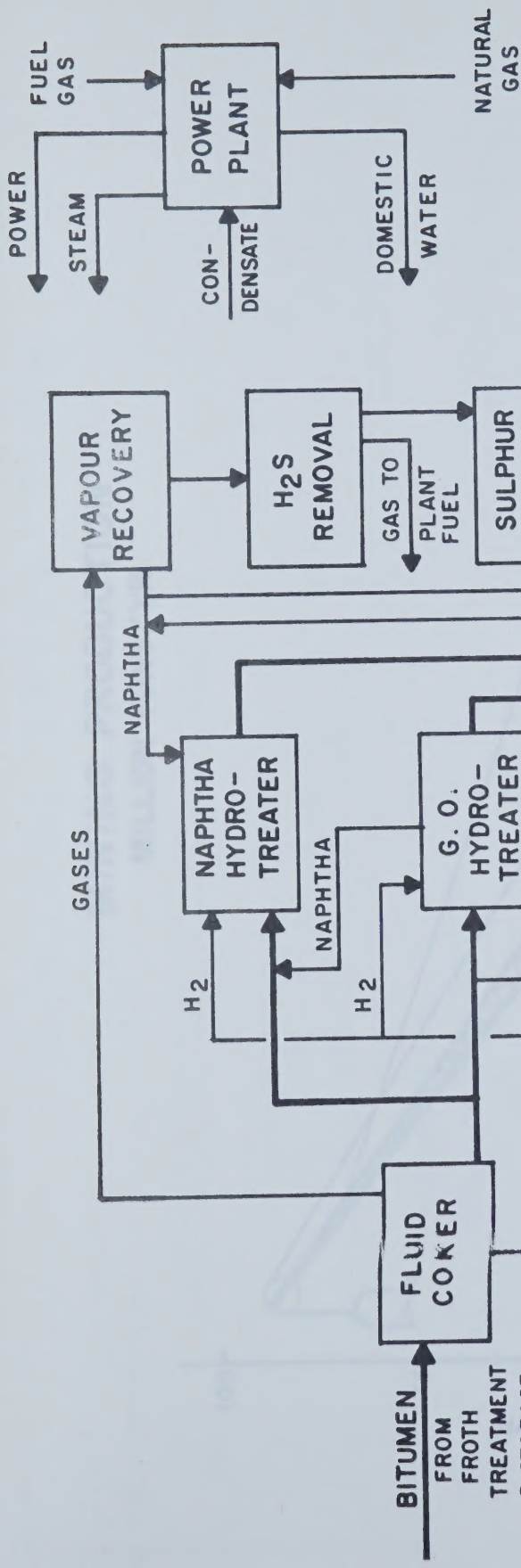
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SYNCRUDE PROJECT INVESTMENT RISK EVALUATION



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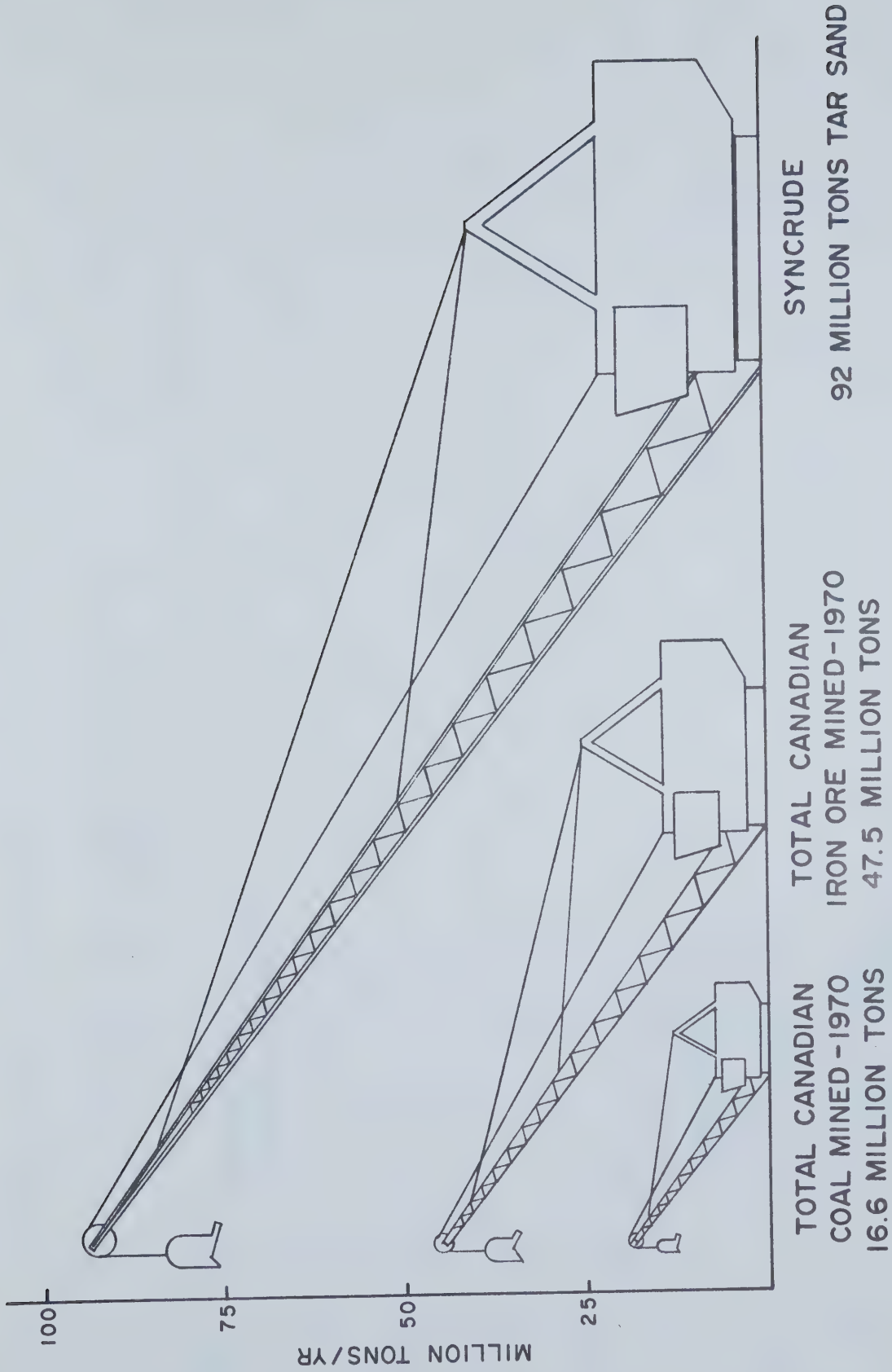
OFFSITES

SHOPS & OFFICES
EQUIPMENT
DISTRIBUTION SYSTEMS
ROADS
SITE PREPARATION
MISC. SERVICES

UTILITIES
AND
OFFSITES

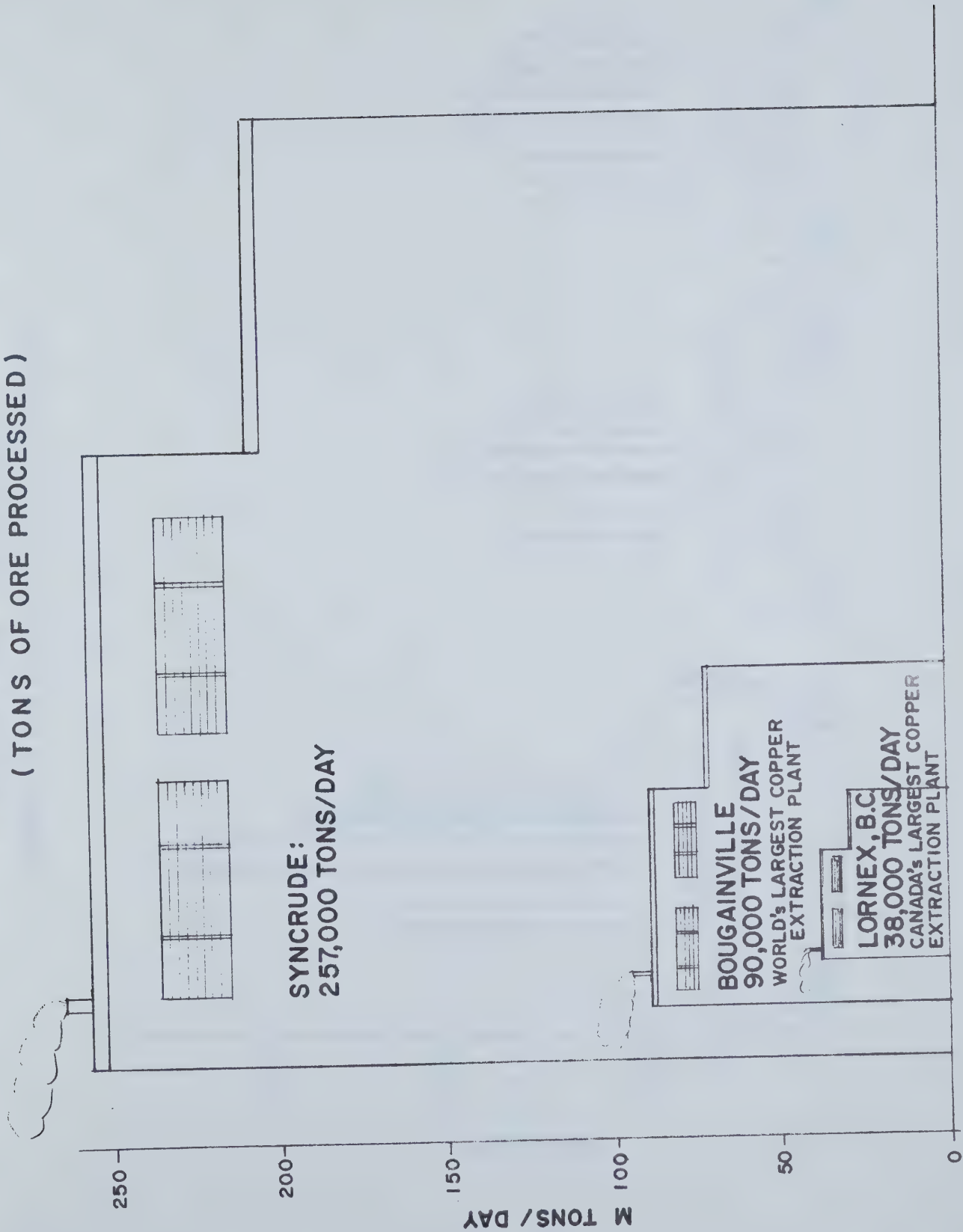
U P G R A D I N G

MINING PRODUCTION MILLION TONS/YR

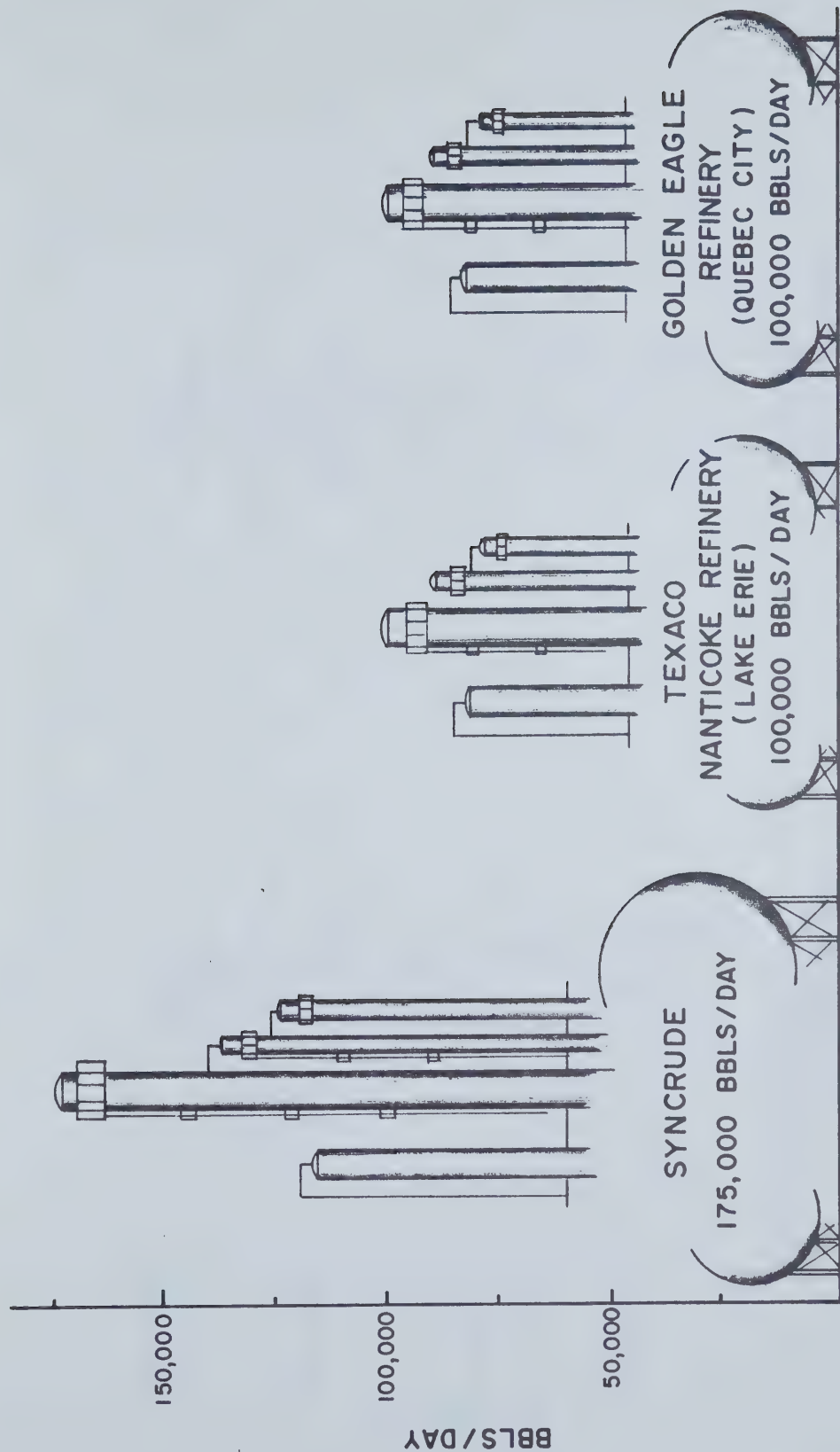


MINERAL EXTRACTION

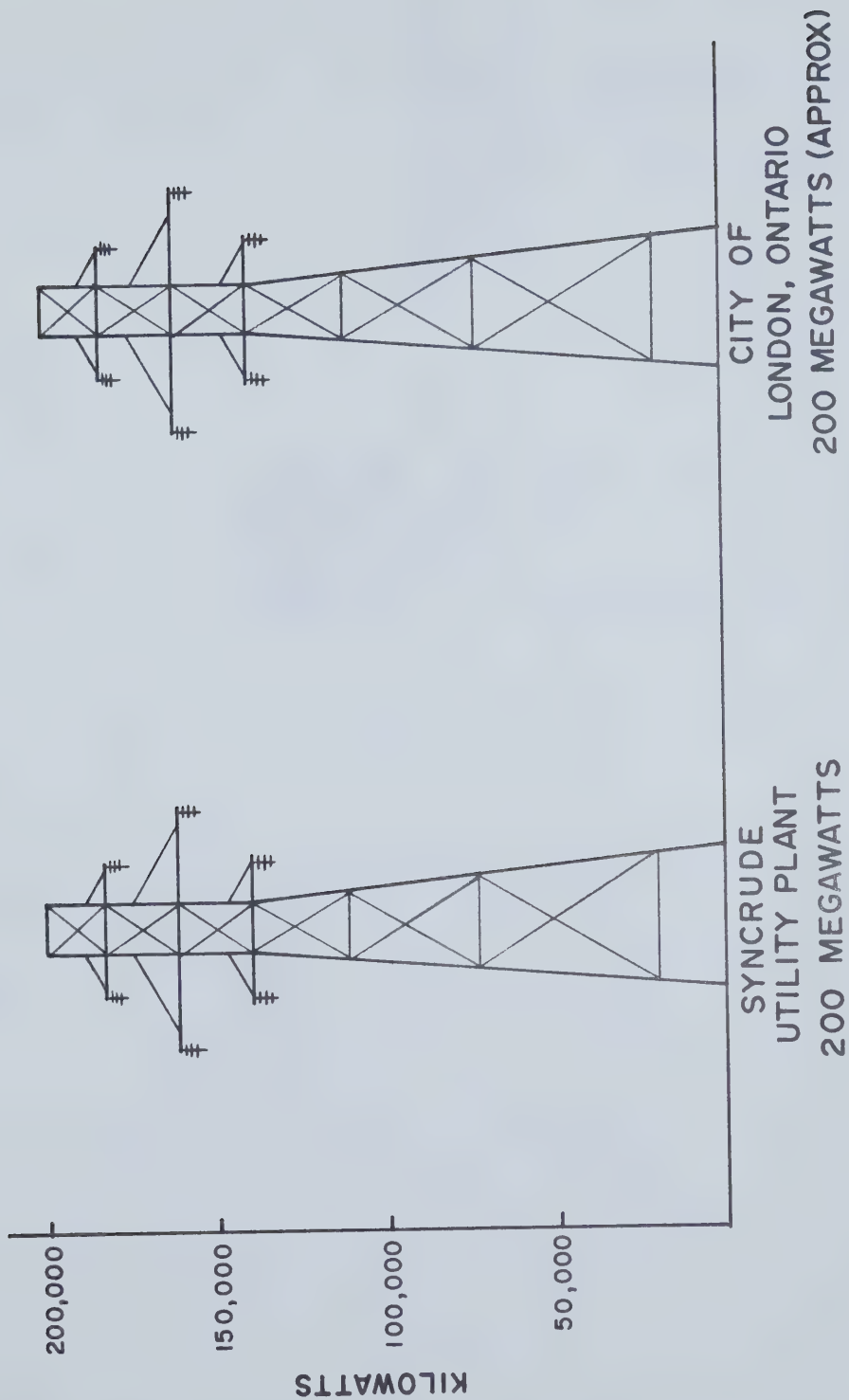
(TONS OF ORE PROCESSED)



UPGRADING FACILITIES BARRELS OF FEEDSTOCK/STREAM DAY

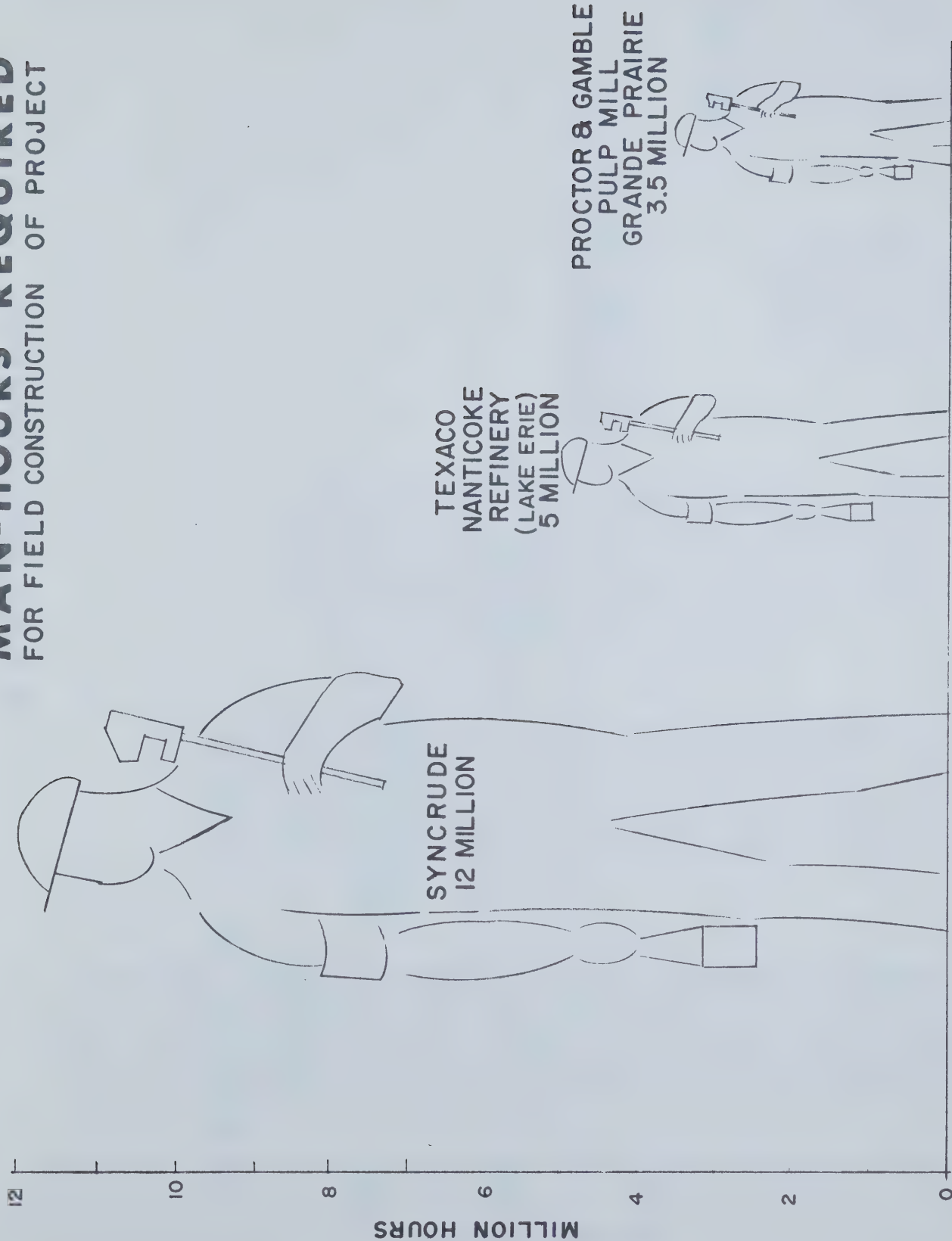


POWER PLANT ELECTRICITY

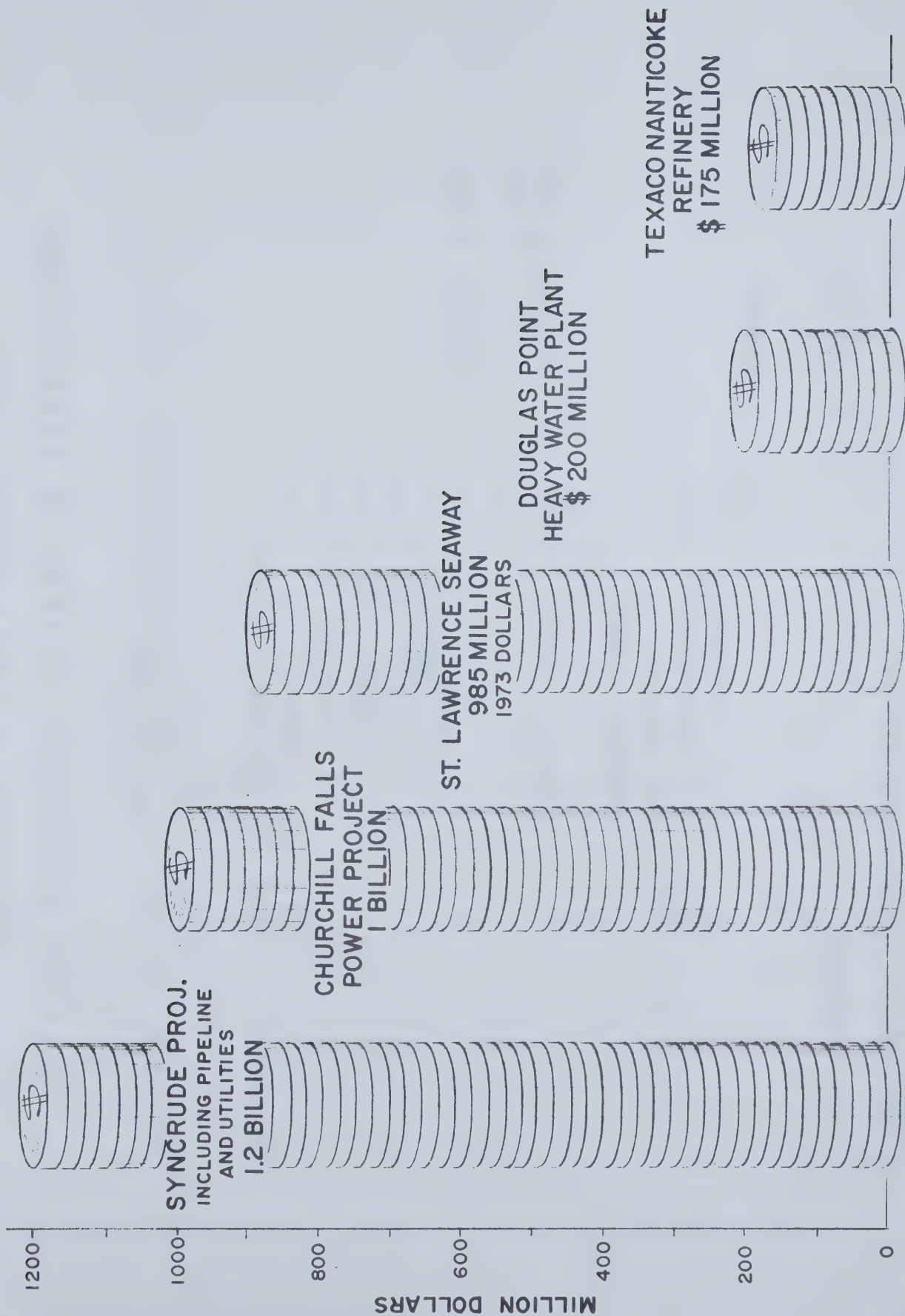


MAN-HOURS REQUIRED

FOR FIELD CONSTRUCTION OF PROJECT



CAPITAL COST



SYNCRUDE PROJECT EXPENDITURES

DOLLARS ESCALATED TO YEAR OF EXPENDITURE

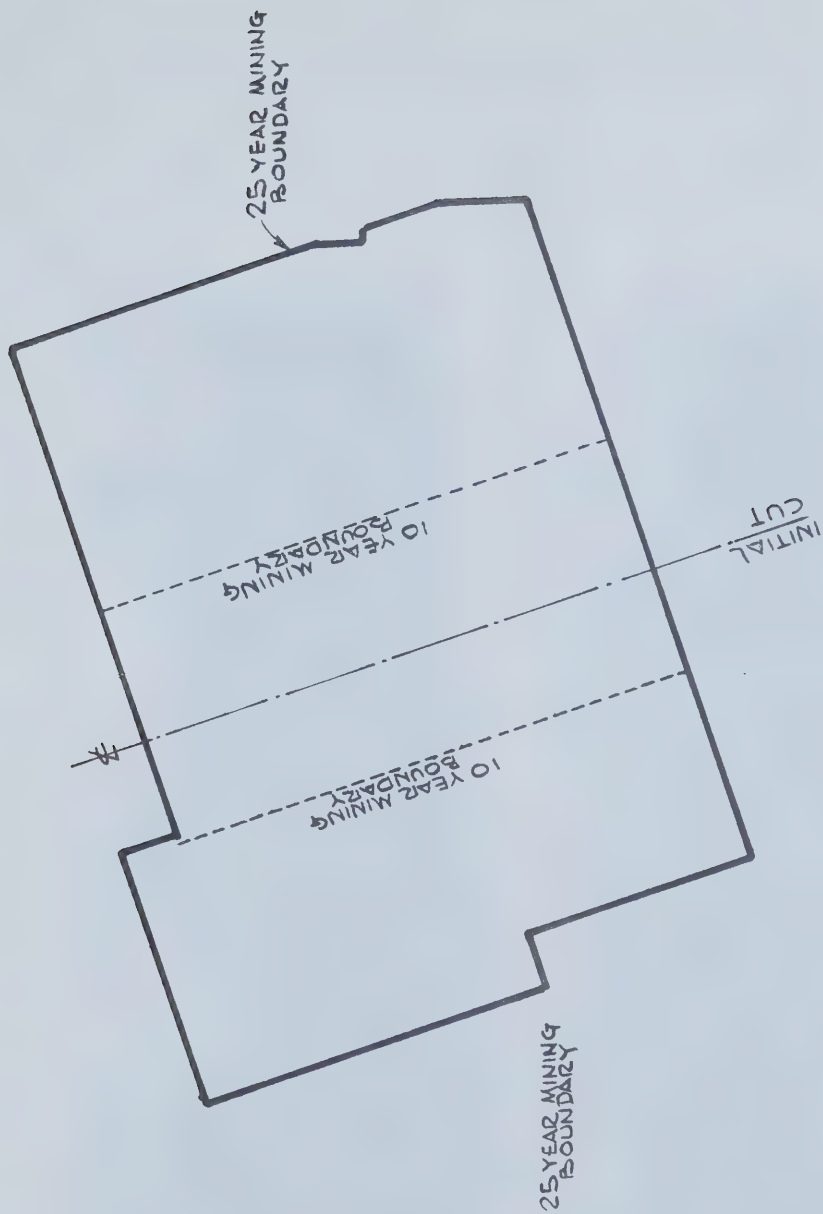
PRE - DECISION		PLANNING RESEARCH & ENGINEERING - 20 MM *	
FEB. 23, 1972 - AUG. 31, 1973	1978		
AUG. 31, 1973 -	1978	TOTAL BASIC PLANT	
		• MINING	287
		• EXTRACTION	135
		• UPGRADING	212
		• OFFSITE	155
		• PRE-PRODUCTION AND START-UP	171
			<u>960</u>
			- 960 MM BY 1978
		UTILITIES	- 95 MM BY 1978
		SYNTHETIC CRUDE PIPELINE	- 86 MM BY 1978
		DEFERRED CAPITAL OVER 25 YEARS	
		• BASIC PLANT	264
		• UTILITY PLANT	16
			<u>280</u>
			- 280 MM
		TOTAL INVESTMENT	\$ <u>1,441 MM</u>

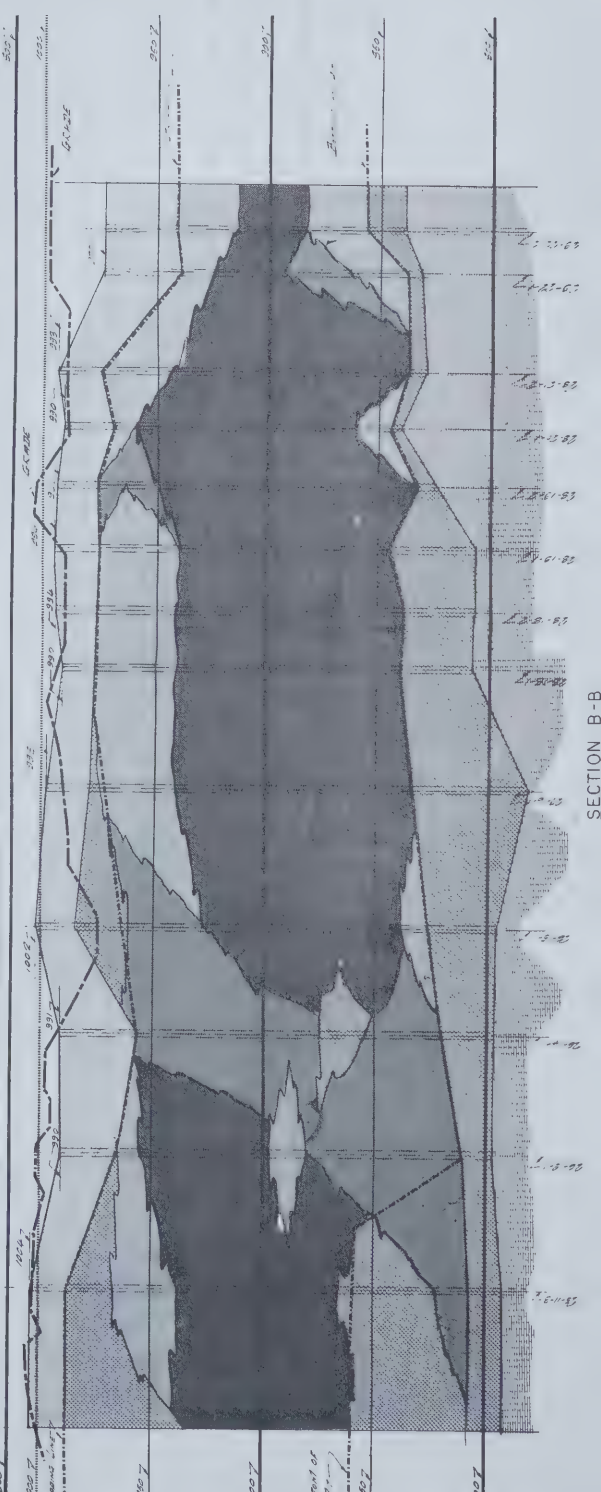
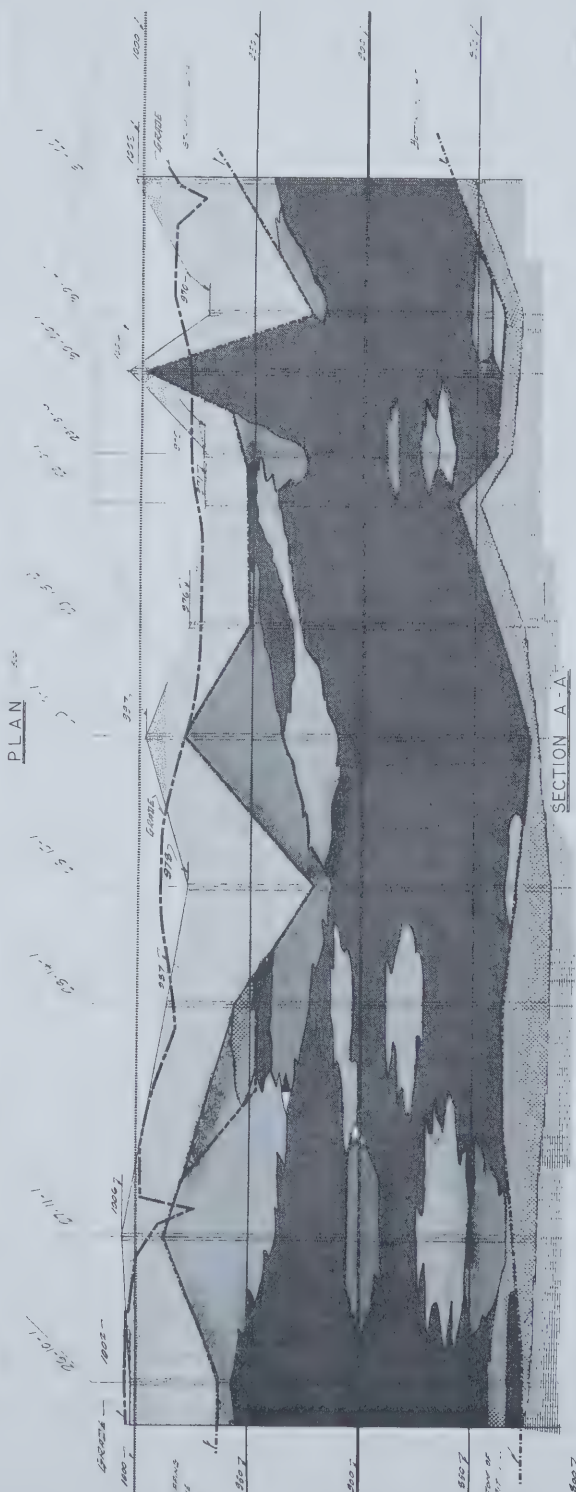
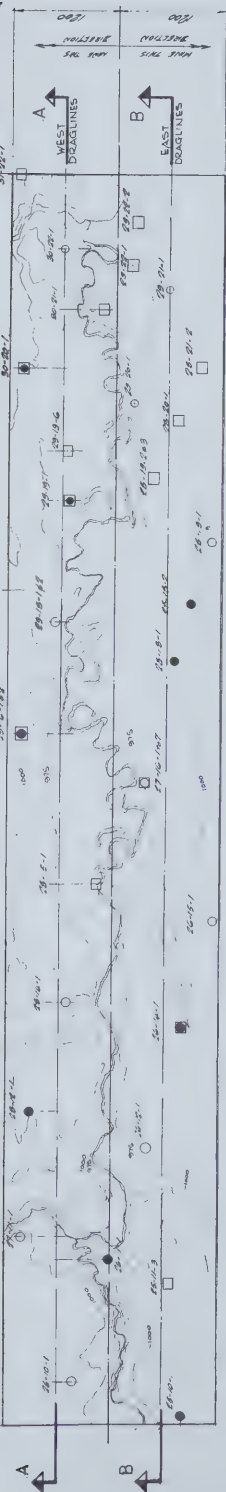
* 35 MM RESEARCH & DEVELOPMENT PRIOR TO FEB 23/72 NOT INCLUDED.

THE BENEFITS OF THE SYNCRUDE PROJECT TO CANADA

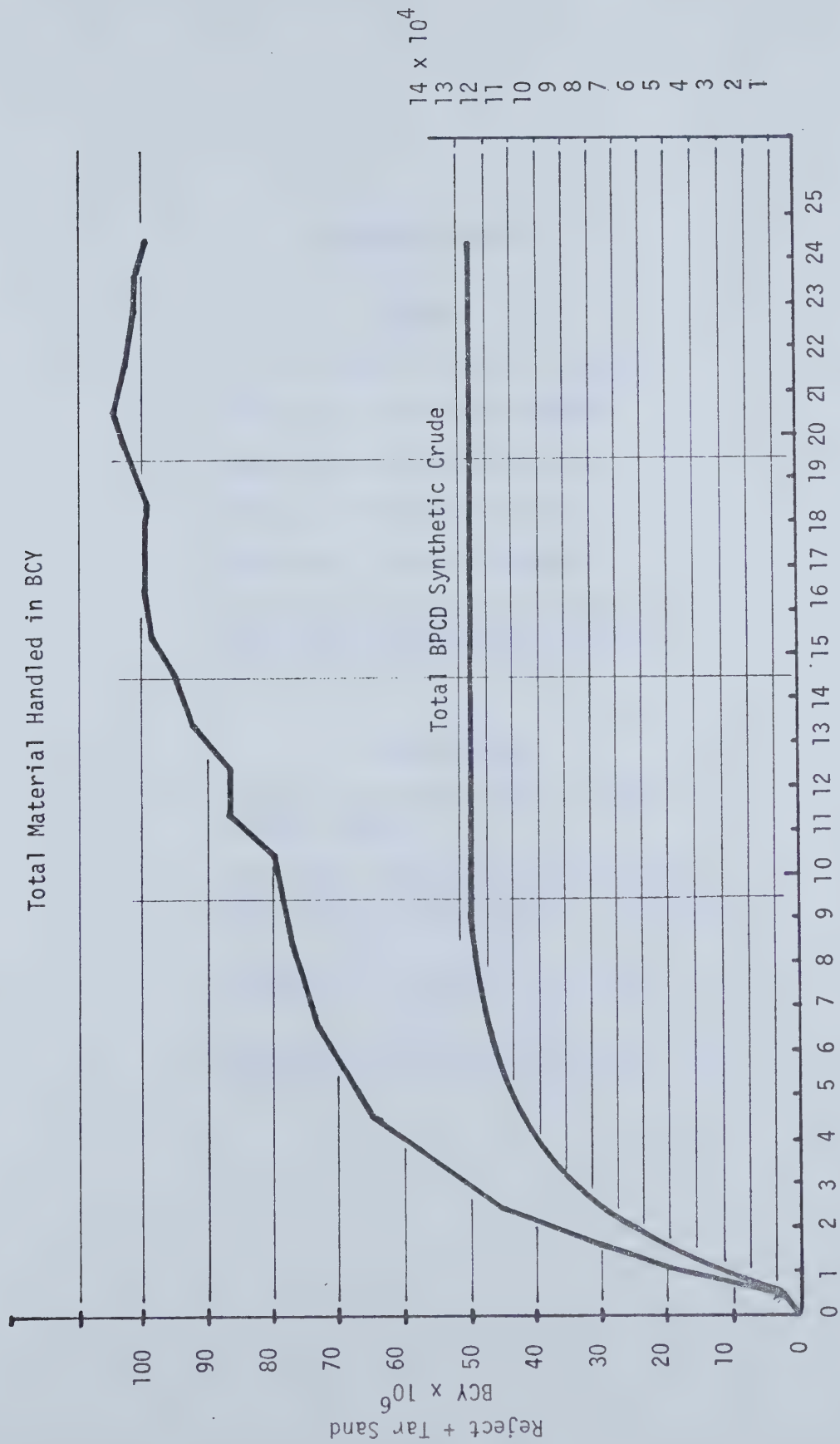
- AN IMMEDIATE STEP IN THE ORDERLY DEVELOPMENT OF THE ATHABASCA TAR SANDS
 - IF SYNCRUDE PROCEEDS, DEVELOPMENT WILL ACCELERATE. IF THE SECOND PLANT IS SUCCESSFUL, OTHER INVESTORS WILL BE ENCOURAGED.
 - THE INCLUSION OF THE MINING PORTION OF THE TAR SANDS INCREASES THE DECLINING CANADIAN PETROLEUM RESERVE LIFE INDEX FROM TWELVE YEARS TO FIFTY YEARS.
 - IF SYNCRUDE PROCEEDS IT CAN MAINTAIN IT'S POSITION IN THE ENGINEERING PROCUREMENT CONSTRUCTION SEQUENCE, OTHERWISE THE CURRENT LEVEL OF ECONOMIC ACTIVITY AND COST ESCALATION WILL CAUSE MAJOR DELAYS IN THE TOTAL DEVELOPMENT.
- 75% OF THE BILLION DOLLAR CAPITAL COST WILL BE SPENT WITHIN CANADA FOR PAYROLLS, EQUIPMENT AND MATERIALS.
- A MAJOR OPPORTUNITY FOR CANADIAN ENGINEERS, CONSULTANTS AND RESEARCHERS TO GAIN EXPERTISE AND EXPERIENCE IN TECHNOLOGIES RELATED TO THE TAR SANDS. THIS KNOW-HOW WILL REMAIN IN CANADA WHEN THE PROJECT IS COMPLETED.
- THROUGH TRAINING PROJECTS AND COMPANY CO-OPERATION, MANY OF THE RESIDENTS IN NORTHEASTERN ALBERTA WHO ARE UNSKILLED AND ONLY SEASONALLY EMPLOYED, WILL FIND NEW JOBS AND INCOME OPPORTUNITIES DURING THE CONSTRUCTION AND OPERATION OF THE SYNCRUDE PROJECT.
- DURING THE CONSTRUCTION PERIOD, CLOSE TO 10,000 MEN WILL BE DIRECTLY EMPLOYED ACROSS CANADA ON WORK FOR THE SYNCRUDE PROJECT. THERE WILL BE 1,600 PERMANENT NEW JOBS DIRECTLY IN THE OPERATION OF THE PROJECT. 10,000 - 11,000 PERMANENT JOBS WILL BE CREATED WHEN SUPPORT ACTIVITIES ARE INCLUDED. THESE WILL RESULT IN ANNUAL REVENUES OF TWENTY MILLION DOLLARS TO THE FEDERAL GOVERNMENT FROM IT'S SHARE OF THE PERSONAL INCOME TAXES.

* * * * *



[illegible]

SYNCRUDE CANADA LTD.



ECONOMIC CLIMATE

CANADA

- 5 of 6 REFINERS IN MONTREAL EXPANDING
- ARCTIC GAS - \$5 BILLION PROPOSED
- JAMES BAY - \$6 BILLION PROPOSED
- STELCO - \$1 BILLION PROPOSED
- TEXACO ONT. - \$200 MM PROPOSED
- SOME MAJOR MANUFACTURERS OF HEAVY WALL VESSELS AND COMPRESSOR HAVE SHOP SPACE BOOKED THROUGH 1974 - 1975.

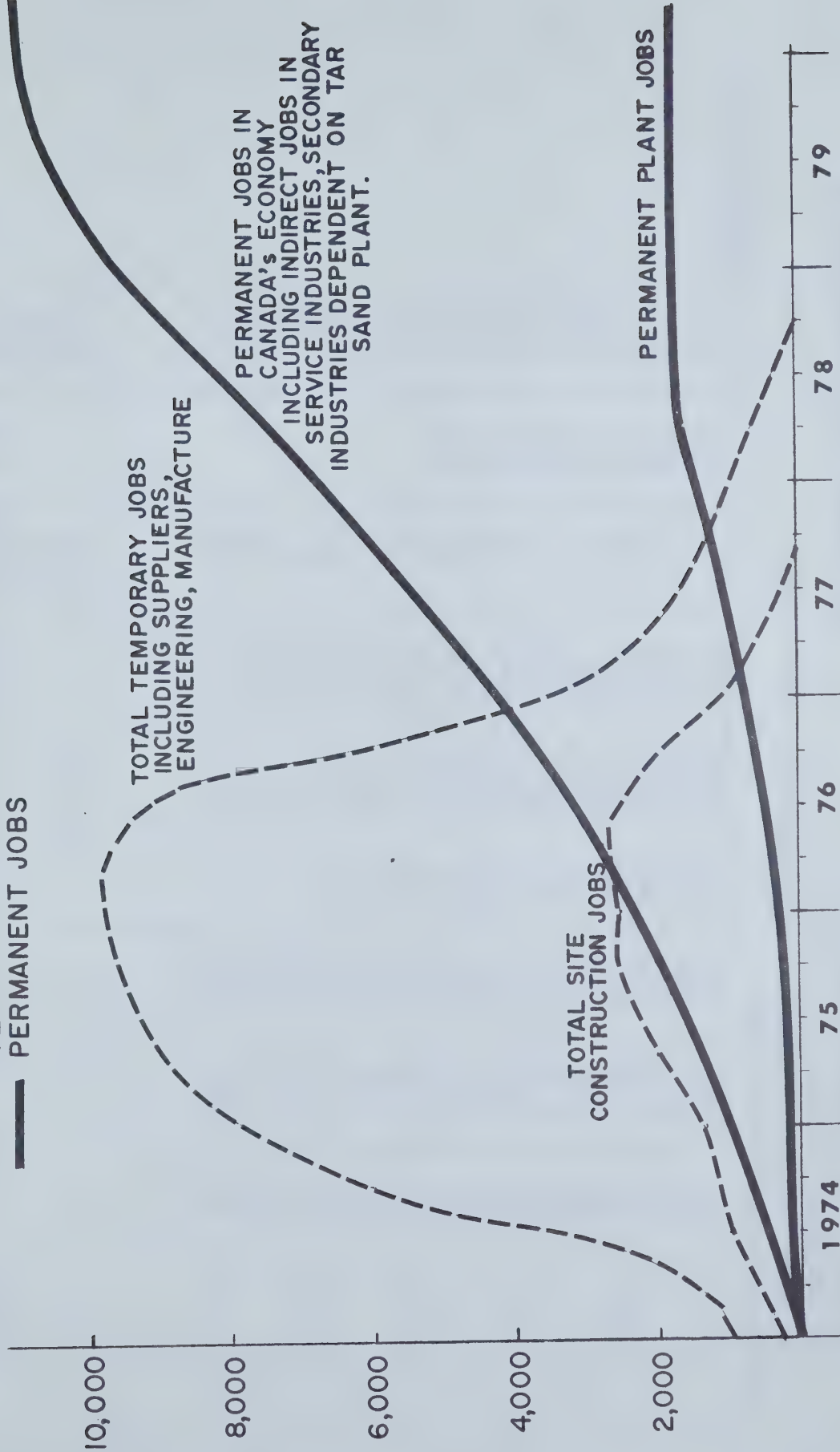
UNITED STATES

- HIGHEST PLANT CONSTRUCTION IN NORTH AMERICAN HISTORY
- 1 CONTRACTOR HAS BID SEVENTEEN \$100 MM JOBS IN 1973: REFINERIES, COAL GASIFICATION AND SHALE OIL PLANTS
- 1 CONTRACTOR IS DESIGNING 6 NUCLEAR PLANTS IN A NEW OFFICE
- MANY UNITED STATES CONTRACTORS WERE BOOKED IN THE 3RD QUARTER OF 1973

* * *

JOBS CREATED IN CANADA BY SYNCRUDE PROJECT

--- TEMPORARY JOBS
— PERMANENT JOBS



CASH FLOW ANALYSIS

(INCLUDING 33.7 MM \$
WORKING CAPITAL)

(1) INITIAL CAPITAL QUALIFYING FOR ACCELERATED CCA = 792.7 MM \$

DISCOUNTED RATE OF RETURN 6.5%

★ ALBERTA GOVERNMENT FORECAST AT PLANT GATE
★ EXPENDITURE OF 35 MM TO AUG 31/73 EXCLUDED

SYNCRUDE PROJECT ECONOMICS
BASE CASE

DISCOUNTED RATE OF RETURN 6.5%

ECONOMIC SENSITIVITIES

	<u>EFFECT ON RATE OF RETURN</u>
	+
DRAGLINES TO BUCKET WHEELS	-
	0.8
CAPITAL COST VARIATION	-
+10%	0.6
OPERATING COST VARIATION	-
+10%	0.8
CRUDE PRICE:	
VARIATIONS FROM 5% ESCALATION	
• INCREASE TO 6%	1.3
• DECREASE TO 4%	-
• PRICE FREEZE AFTER 1987	-
• PRICE FREEZE AFTER 1977	-
	-
	1.4
	4.1
	*

* BY 1988 - A NET CASH POSITION OF MINUS \$900 MM
AFTER 1988 - OPERATING COSTS EXCEED GROSS REVENUE

CONCLUSIONS

- THE DEVELOPMENT OF THE ATHABASCA TAR SANDS IS VITAL TO MAINTAINING OR EXTENDING CANADA'S DECLINING PETROLEUM RESERVE LIFE INDEX AND HENCE TO CANADA'S LONG TERM ECONOMIC HEALTH.
- A TAR SAND PLANT CAPABLE OF FEEDING ONLY ONE CONVENTIONAL REFINERY INVOLVES MASSIVE CAPITAL AND OPERATING EXPENDITURES.

THE NEXT PLANTS WILL CONTINUE TO BE PIONEERING VENTURES INVOLVING HIGH ECONOMIC RISK.

- THE BASE CASE RATE OF RETURN ON THE SYNCRUDE PLANT IS COMPLETELY UNACCEPTABLE.

PROCEEDING WITH THE PROJECT CAN ONLY BE JUSTIFIED ON THE BASIS OF A BUSINESS JUDGEMENT THAT INCREASINGLY EXPENSIVE ENERGY SUPPLIES MUST BE BROUGHT INTO PRODUCTION AND THAT ENERGY PRICES WILL THEREFORE, RISE TO MAKE DEVELOPMENT OF SUCH SUPPLIES ECONOMICALLY FEASIBLE. THE TECHNICAL AND OPERATING KNOW-HOW GAINED IN FIRST PLANTS MAY ULTIMATELY ASSIST IN PROVIDING A BASIS FOR A PROFITABLE INDUSTRY.

- SYNCRUDE'S ABILITY TO PROCEED IS CONDITIONAL UPON TWO FACTORS:

1. SYNTHETIC CRUDE MUST HAVE UNRESTRICTED ENTRY INTO THE MARKETS RETURNING THE HIGHEST PRICES WITH THE FULL BENEFIT OF THOSE PRICES FLOWING UNRESTRICTED TO THE PROJECT.
2. PROVINCIAL CROWN ROYALTY MUST CONTINUE TO BE DEDUCTIBLE AS AN EXPENSE IN THE CALCULATION OF FEDERAL INCOME TAX.

- WITHOUT THESE TWO POLICIES THE SYNCRUDE PROJECT CANNOT BE A VIABLE ENTERPRISE.

* * * * *

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Author

Syncrude Canada Ltd.

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